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PERSONNEL POLICIES--1980

David A. Lederer, Jr.

The RAND Corporation

My talk today will reflect my strong interest in the role of the manager and administrator of the future. I believe that management's ability to stay one jump ahead of change is the most important factor for successful future operations--and also it concerns us personally. Many administrators have long been behind-the-scenes citizens in universities and research organizations, operating strictly as staff and service people, while life revolves around the faculty member or scientist. This passive role is being outmoded by new dynamic requirements of the future.

Such challenges are visible in the problems encountered daily in my work. RAND is an independent, nonprofit corporation dedicated to research in the national interest. Part of my job at RAND is to keep up to date--and ahead--in the field of Personnel Management. One important input is knowing what others are doing and planning to do, particularly large, high-technology industries, because they are gen-

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erally innovative in management techniques as well as in scientific technology. Industries that require highly talented manpower must be ahead of the field in their personnel policies and programs. The universities, competing for top faculty people, are in a comparable position and require dynamic administrative practices to match the rapid pace of revolution in campus life. I hope that what I have to say today about administrative advances in my field will stimulate your thinking about your personnel needs in the 1980s. I believe that this information is equally applicable to management in industry, academic, and research organizations.

First, what might the working environment be in the 1980s? Warren Bennis of MIT forecasts a climate of wide diversification, with the Federal Government more involved in the legal and economic policies of business. He expects more partnerships between industry and government (like COMSAT) and fewer but larger organizations. The three main features of the environment will be interdependence rather than competition, turbulence rather than stability, and large rather than small enterprises. This bears a strong resemblance to what is anticipated in the educational world.

Clark Kerr, who leads the Carnegie Commission on the Future of Higher Education, has predicted three conditions to which the universities will have to respond in the future: growth, shifting academic emphasis in response to new needs, and involvement in the life of society.

All of these mean more problems and pressures for managers. The most optimistic of us will find comfort in the prediction of the National

Commission on Technology, Automation and Economic Progress that gains in productivity by 1980 could mean average retirement at age 44 or a 25-hour workweek or a 21-week vacation. I believe that this is unrealistic in education, where productivity gains (or automation) lag far behind industrial rates. People have traditionally preferred to take most productivity gains in the form of added income rather than cutbacks on work or additional leisure time. I think that the workweek and vacations will follow the present liberalizing trend but will not differ substantially from what we know today. However, this will be much less true for management. The top managers will be lucky if they don't have to work longer, in the face of new demands and complexities.

Part of the management dilemma is that the large numbers of young people coming into the work force are not satisfied with the traditional forms of organization, leadership, and advancement. They desire leadership based on rapport of intellect, knowledge, and shared views of life. Youth will not respect leaders just because they are older and hold high positions. These attitudes will contribute to changes in organizations, resulting in more informal structures with more group participation in decisionmaking. Do these symptoms sound familiar? The crises of the campus of today will certainly accelerate these organizational changes in the universities. The rate of change in the traditional administrative structure of the campus may exceed that of industry by 1980.

Another trying problem for the manager will be the handling of older employees. Experience will not count as much in the 1980s, and many older workers will be less useful to the organization because of a lack of up-to-date education and outlook. Older people may need to

unlearn lessons from their experience and learn new ones. Managers will be faced with the question of what to do with employees who cannot or will not do this. And so, there will be additional work pressures on the middle-aged group (say from 35 to 50), while younger people develop and more older people move out of the organization.

A group of graduate students at UCLA recently looked into the executive's future by polling high-level managers, professors of business administration and some members of RAND, using the Delphi technique developed at RAND. In this forecasting method, experts provided anonymous opinions on an issue and later had an opportunity to revise their responses based on controlled feedback of the replies of the other participants. The final response then was statistically analyzed. The conclusions confirm my statement about the manager's future, with some interesting additions. They see little chance of a decrease in the top management workload, while the workweek of middle management and staff will decrease somewhat. They foresee that middle management will be more specialized in skills and top management will be more general in approach, with emphasis on quantitative methods, behavioral sciences, computer sciences, economic theory, and ethics.

Now a word about white- and blue-collar workers. It is already clear that computers will not put the white-collar employee out of business. Computers have made management more sophisticated and, rather than reducing the clerical force, frequently have resulted in a need for more people, often of higher levels of training and capability. This trend to higher job requirements will continue and will be even more evident in the blue-collar ranks, where the labor force of the future will be a mixture of two strongly contrasting groups--one, an in-

creasing proportion of skilled and highly paid workers, and a second group of relatively low-paid, unskilled workers. In the aerospace industry, upgrading of the blue-collar labor force, accompanied by sharp cutbacks in the low-skilled jobs, has accelerated over that in most other industries and is the sign of the future. Even today, much blue-collar work is more skilled and sophisticated than many of us realize.

Let us turn now to some of the other areas giving indications of future trends in business and industry.

Firms are taking new approaches to recruiting, employment and promotion of employees. For example, how many organizations had black recruiters visiting universities a few years ago? And how many women with MBA training sought administrative jobs? How many companies had top officers and managers in their 20s and early 30s? While you might jump to the conclusion that this is largely the result of the growth of new industries, such as in the electronics and computer fields, I would refer you to the February edition of Careers Today, which states that some older and prominent finance companies and banks now have really young people in high management positions. This is both a reflection of new operational requirements and an adjustment to make the firms more attractive to other bright young graduates. I might add that the last two appointees to top management at RAND were younger than 35 and came from the research ranks rather than from the older, more experienced managers.

More emphasis is being placed on training and development to qualify those previously considered ineligible for hire. A prominent firm in my area hired 16 "hard-core" minority people to train for company jobs. A large university that has been active in urban and social

teaching and research recently approached that company for information and assistance to start a similar program to add disadvantaged people to its support staff.

Also, new sources from which to develop managers are being explored. Recently an officer of one of the nation's largest banks stated that the bank's management had always assumed that it took a minimum of 10 years to train a branch manager. Consequently, they hired only new graduates for their training program. Now, in the light of rapid expansion and new economic and social requirements, they are experimenting with hiring mature people in a program to qualify managers in just a few years, recognizing that a manager primarily needs good judgment and other basic qualities; knowledge of every operation under his supervision is no longer possible or even desirable. They are very pleased with the results of this new approach.

Now let's consider compensation--first with respect to salaries and then benefits. I have some knowledge of university pay policies and have noted the lag in university support-staff salaries even though the incomes of outstanding academic people often surpass salaries in industry. At RAND we have found university faculty positions very competitive, and more professionals have left us to join university faculties than for any other type of employment. On the other hand, a union official was quoted in a February issue of The Wall Street Journal as saying that university nonteaching employees "...have been neglected long enough by labor and management." As an example of the new approach, RAND's Salary Administrator gets a semiannual computer printout of administrative and white- and blue-collar salaries of many of the leading local firms for comparative analysis. This is one way that we keep

current on support salaries, which is important in spite of our excellent working conditions and fringe benefits. Working conditions on campus may have a different weight in university hires of the future. The old "added psychic income" of working in a campus environment has perhaps run its course. Colleges clearly are no longer the "islands of tranquility" of the past. An increasing number of academic employees now work under threat of actual bodily harm. Also, and less dramatic, the financial squeeze on higher education is bound to be reflected in a decline of working conditions in all but the luckiest of institutions. And growing pains will obviously add to the problem--how is your parking situation for a starter? Perhaps your past ready supply of part-time people resulted in a more casual approach to support salaries than you can afford in the future.

With respect to .. ghly talented people, including managers, Saul Gellerman noted in a recent Fortune article that "Effective motivation with money is no piker's game. Unless the increment is princely, it is unlikely to excite the imagination, whet the appetite." We will have to get away from the narrow salary ranges and standardized increases that are the basis of many salary programs today and move toward exceptional increases for high performers. Many years ago RAND did away with general, uniform cost-of-living increases so that the available funds could be used selectively to retain the best people. Our present salary program ~~stresses~~ increases tied to value and performance, and we try to avoid ~~mechanical~~ approaches to salary actions.

Compensation plans for highly talented employees will need to be designed along flexible lines, tailored to individual needs. Young

married men usually need more cash and life insurance, while the older person may prefer more medical insurance and perhaps deferred compensation for tax savings. Although these individually tailored plans will probably be more expensive and complex to administer than what we have today, they will pay off in the long run by allowing us to offer highly marketable people programs that are competitive with what they could be receiving as executives or top scientists in industry.

In the past, employees were responsible for their own security for medical emergencies, employment, retirement, and death. Some of these burdens have gradually shifted to the employer because of competition for personnel, favorable tax treatment, and economies of group purchasing. Now, when basic fringe benefits are taken for granted and variations in such benefits among organizations of equal size are not too great, it is questionable whether or not they are effective in either recruiting or retaining employees. Large organizations will cease to view basic fringe benefits for the majority of their employees as competitive employment tools and will view them instead as standard corporate obligations. These general benefits are now changing rapidly. For example, consider the following.

A large aircraft firm recently installed a free dental insurance plan for over 300,000 people, and others in the aerospace industry have taken or are taking similar action. Prepaid prescription drug plans, more complete psychiatric coverage, and more comprehensive employer-paid insurance for employees and dependents are rapidly becoming realities. With respect to group legal services, the American Bar Association has a pilot program underway to determine what individual legal needs are and what people would have to pay in premiums.

Mass merchandising through payroll deduction is gaining momentum as a low-cost fringe benefit. In addition to the purchase of hard consumer goods, group automobile insurance, household insurance, and mutual funds are also gaining acceptance. RAND had one of the first plans for automobile coverage and the first for householder's insurance. These plans were well accepted and involve no real cost to the company since the premium is paid by the employee. More firms are making special recreation benefits available to their employees, including the use of company pleasure boats, ski and desert resorts.

Some universities have the advantage of owning campsites and retreat facilities to serve educational programs which also can be made available at nominal cost to staff at vacation time. Because gifts of property have become an increasingly popular form of philanthropy through estate planning, opportunities to acquire recreation sites may be better than you'd imagine.

In fact, you should discuss with your campus development director other gift opportunities which may enhance your fringe benefit picture. For example, I understand that it's reasonable (and legal) to think of providing cars donated by local dealers.

A final personnel trend concerns social responsibility, which Clark Kerr called "involvement in the life of society." In industry, there is unquestionably a very strong movement in this direction, led by some of the giants like General Electric. University faculty people have also been very active. For example, a Los Angeles County Task Force on which I serve has several faculty members from a local university. Unfortunately, there are no nonteaching university people, even though their knowledge and experience would be very appropriate. While I am

think of some notable cases of public service by nonteaching university people--such as a university vice president of finance who was president of Town Hall, the Los Angeles intellectual community forum; and a university business manager who was mayor of the City of Arcadia, California, for many years--there is a need for more involvement by university administrators. As faculty members become increasingly transient, academic administrators may take the lead as stable, interacting members of the campus and community.

In the conferences I have attended on equal employment, the problems of minorities, salary and benefits administration, and other personnel areas, university nonteaching people are conspicuously absent. Part of the cause may be financial restrictions or lack of time. However, the need to keep abreast of new developments and to be exposed to off-campus business and civic activities is increasingly important.

Up to this point I have discussed the nature of personnel management as it proceeds into the future. I would like to suggest six tasks which I consider vital and which may assist you now, as managers, in preparing for the future.

1. Organize some long-range planning in your own department regardless of the size of your organization and whether or not there is a long-range planning staff somewhere else in the university. It has been said that long-range planning is less an attempt to predict the future than to deal with it. I might describe my own effort to prepare my department to meet the future. Each of my supervisors is responsible for his own research, planning, and recommendations. Each year my staff gets together for a series of meetings to talk about what is new and different and the direction our work should take. Each supervisor presents

his ideas and plans to the entire staff, and after discussion and decision, an overall long-range plan is prepared for review by the president and other top management people. I have found this plan an excellent tool for finding out the president's views on my areas of responsibility. From very general long-range topics we also develop short-range projects, usually to accomplish within a year. Needless to say, such plans are not rigid blueprints but flexible working programs which can be and frequently are changed.

2. Organize your staff to handle problems on a project basis; don't isolate your people in purely functional areas. For example, your accountant must have a specialized background in cost accounting, tax matters, data processing and so forth. If you want an effective operation, you need a specialist here, not a generalist. However, you will not be making the best use of him if you restrict his activity to accounting alone. He needs the breadth that comes from exposure to purchasing, personnel, benefits administration, operation and maintenance of the plant, etc. In a recent study we made of our timekeeping practices, we included personnel men along with the accounting staff to provide recommendations that would be acceptable and logical to management. We found the personnel philosophy in dealing with employees fully as important an input as the accounting requirements. Not only does the team approach to problem solving provide better solutions, but it also makes the job of the specialist more interesting and prepares him for advancement.

3. Bring the cost-effectiveness viewpoint into your everyday operations. As costs continue to rise and resources are harder to find, it

becomes increasingly important to study each operation to determine the most economical way to solve a problem or to find ways to obtain maximum benefit from fixed levels of available resources. While such questions may not warrant full-scale systems analyses or cost-effectiveness studies, knowledge of such techniques will prove immensely beneficial in improving your operations. Management by objectives, structuring a systematic framework within which you evaluate alternatives, is an extremely useful approach. For example, is the purpose of your in-house printing operation to provide a service at lower cost, to provide a better service than could be expected from the outside, or is it a matter of university prestige? If its operation is less economical than having work done on the outside, the question of how much loss is incurred and how this relates to value received is important. Although cost analysis is not the answer in itself, it does provide a useful tool for evaluating operations within an overall value framework. Similar reviews of food handling, medical, maintenance, housing and other services are essential to get the most out of your future dollars. Current industrial practices show that others have found leasing and subcontracting of services an economical approach. The importance of this view of administration is, I believe, revealed in the appointment of finance-oriented people to the presidency of such prestigious organizations as MIT, the University of California, and Stanford Research Institute, replacing academicians and scientists.

4. Give attention to the development of your staff. By this I mean to promote their attendance at professional meetings and encourage them to do research and present and publish papers, to associate with

contemporaries in their working environment, and to participate in activities essential to the growth of the individual. We have extended our Educational Assistance Program to cover all employees and have stressed the new opportunities now open to white- and blue-collar people to develop themselves with RAND assistance. And I believe that RAND's philosophy had much to do with our being able to hire bright MBAs last year in the face of a tough competitive market--to these graduates, personal development prospects are just as important as job content and pay.

As you need replacements, upgrade your staff by finding a better person to fill the job. But don't give a dull job to an overqualified person. Reorganize your operations to make better use of the talent available to you and devote less effort to functions with little payoff. Many of us, desiring to be cooperative and useful, agree to take on too many peripheral functions that do nothing but dissipate staff energies on relatively unimportant work. A few years ago, I was faced with a fixed budget and a need to put more effort into areas of greater payoff to the company. I took the approach of putting much more of the everyday work on the shoulders of a few supervisors, forcing them to either push some of the work down to the chief clerk or eliminate it. By this, I was able to free other professionals to work full time in important, high-payoff areas with substantial gain to the department as a whole.

5. Find ways to get young people into positions of responsibility sooner, for example, through a well-planned summer employment program for college students. In addition to earning summer money, the stu-

dents want a preview of what regular employment might be like. One approach is through special summer projects that relate directly to the ongoing, important work of your institution. Be sure that the work really needs to be done and that supervisors are carefully chosen for their interest in recruiting and development. At Rand we have such a program, and I am convinced of its usefulness. We bring in 30 to 50 graduates students each summer who work independently on projects of mutual interest to them and Rand. The results in publications and subsequent hires make this a profitable venture. Such a program is a natural for university business offices, but it will require a shift of attitude and assignment from the way students are usually employed at the schools. They must be viewed as real contributors, not cheap help.

6. Stimulate an awareness of the changing social, racial, and economic nature and composition of the work force.

Again, relating to my own company experience, I have found a considerable change required in our attitude and ways of handling matters resulting from increased numbers of minority employees and, in particular, those from disadvantaged backgrounds. I have found that supervisors accustomed to dealing with a typically middle-class work force may not adjust easily to these employees, who, for example, may find it hard to be on the job consistently. Questions of flexible and realistic standards, leniency, and what training you can offer are important to each institution and supervisor, if we are to open doors to people who have not had the opportunities of the middle class. In an effort to cope with this problem at RAND, we held a series of administrative

meetings with supervisors in which we discussed supervisory responsibilities regarding work standards, habits, and attitudes of new employees from varying cultural, educational, and work backgrounds. Essentially, these meetings were seminars in which we discussed actual company case studies and shared experiences and ideas. Attendance was voluntary, but supervisors' interest was so great that double sessions had to be scheduled. Adding to the success of the effort was the presence of an outside consultant, a Negro, whom I invited to join us because of his considerable experience in dealing with these problems. It was perhaps the first down-to-earth confrontation that some of our supervisors had had with a minority person who was able to articulate the minority employment point of view.

This leads me to another suggestion along these lines--that you have on your staff a cross-section of people representing the mixed population on your work force. I recently heard of a company which suddenly became unionized after 40 years without a union. The vice president attributed this to their having hired many black and brown employees. Although these newer people were well treated, they were concerned that no one was representing their point of view to management. If the composition of your work force has changed, the composition of your administrative staff should, too.

To summarize, I have suggested six action areas important to you in meeting your requirements for the future: long-range planning, the project approach, systems and cost-effectiveness analyses of organizational operations and alternatives, development of your staff, more responsibility for young people and a staff sensitive to social change

and representative of the total personnel in your institution. In the future, an increasing proportion of your managerial workload will relate to personnel. Implementation of the ideas I have discussed will help you to recognize the trends and to act with a planned but flexible response that is essential to success in the demanding period ahead.